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## OFFICE MEMORANDUM

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**DATE:** May 8, 2002

**TO:** Region Engineers  
Region Associate Delivery Engineers  
Region Construction Engineers  
Resident/Project Engineers/TSC Managers  
Region Traffic Engineers

**FROM:** Larry E. Tibbits  
Chief Operations Officer

Gary D. Taylor  
Chief Engineer/Deputy Director  
Bureau of Highway Technical Services

**SUBJECT:** Bureau of Highway Instructional Memorandum 2002-08  
Construction Value Engineering Change Proposal  
(Supersedes BOH IM 1997-1)

The Construction Value Engineering Change Proposal (VECP) must be coordinated with the Supplemental Specification for Value Engineering Change Proposals (VECP). The Supplemental Specification for Value Engineering Change Proposals is placed in all projects with an estimated cost over \$2,000,000. VECPs submitted by the contractor are value engineering concepts, principles, and techniques applied at the construction stage of a project. Submittal of VECPs from the contractor are intended to promote lower costs, provide a better product, improve safety, or shorten contract time. The modification proposed should not significantly delay the completion of the project or impair the essential functions or characteristics of the project in any manner, including but not limited to, service life, economy of operation, ease of maintenance, desired appearance, impact on utilities and right-of-way, or the design and safety standards.

The following procedures are established to give an initial response to the contractor while allowing the department time to evaluate the VECP. The department's administrative cost of evaluating the VECP must be tracked so that all the benefits and costs can be determined.

A. Supplemental Specification

The instrument used to provide and maintain an effective program of VECPs is through the use of the supplemental specification in the contract. The supplemental specification provides the contractor with monetary incentive to participate in cost saving techniques. The department also encourages VECPs where there may be no cost savings, but improves the design or construction, or shortens the contract time of a project.

B. VECP Submittal

Referring to Table A, proceed as follows for evaluation and/or approval of the contractor's VECP:

1. When the contractor submits a VECP, it must include all items required by the supplemental specification. Four copies should be submitted to the engineer (herein defined as the resident/project/delivery engineer). The engineer will keep one copy and then forward the extra copies: one copy to the TSC manager, one copy to the region engineer, and one copy to the Construction and Technology (C & T) Division. If the amount of the VECP is greater than one million dollars, then three additional copies shall be forwarded to the C & T Division. These three copies will be used by C & T Division staff and the Value Engineering Decision Team (VEDT). The VEDT membership will consist of division administrators or their representatives from the Traffic and Safety, Design, C & T Divisions, and the region engineer. Permission may be granted for the contractor to present the VECP orally, but all the data needed for evaluation shall be submitted in writing.
2. Projects that are non-exempt should be coordinated directly with the Federal Highway Administration (FHWA). When the VECP is received by the engineer, they will call the FHWA field operations engineer responsible for that project. Based on the scope and content of the VECP, the FHWA engineer will determine what FHWA approval is required. For exempt projects, FHWA approval is not required.
3. The engineer shall evaluate the VECP. The engineer's recommendation and/or decision must be coordinated with input from the Design, Traffic and Safety, and C & T Divisions, the associate region development engineer, the region engineer, and/or the project manager, as appropriate. After the engineers document their review and action, along with supporting information, the VECP will proceed as outlined in Table A. Each reviewer should then document their decision for the next reviewer as appropriate.
4. All MDOT personnel are to keep track of the time they spend reviewing the VECP. This information is to be forwarded to the C & T Division, Attention Bridge Construction Engineer. The information will be used to track administrative costs of the VECP process.
5. If VEDT action is required, this will be coordinated through the Bridge Construction Engineer, C & T Division.
6. If the VECP is approved, the engineer will notify the contractor within the proposed change deadline, and will prepare and submit the necessary contract modification. **NOTE: The pay item code for "Value Engineering" is 1200000 and the pay unit is dlr (dollars) for the contract modifications.** Proper documentation should also be attached, included, or referenced in the contract modification. This should be used as the final approved cost in the contract modification. Payment shall be in accordance with the supplemental specification of the contract. A copy of this contract modification should be forwarded to the Bridge Construction Engineer, C & T Division. An annual report will be compiled to summarize costs and savings of the VECP program.

7. If the proposed change is rejected, the engineer will send written notification to the contractor, and will include the reasons for the rejection. The notification should also note, as stated in the supplemental specification, that the decision is final and there are no appeals. A copy of this notification should be forwarded to the Bridge Construction Engineer, C & T Division.
8. Approved VECPs will be reviewed for possible inclusion in the design of future applicable projects and applicable design standards. It is the responsibility of the C & T Division, Bridge Construction Engineer, to coordinate applicable specifications and design standard changes.

**Table A**

TOTAL SAVINGS	RESIDENT/PROJECT/ DELIVERY ENGINEER	TSC MANAGER	Value Engineering Decision Team
\$250,000 or less	Final Approval or Rejection (by day 14)	Copy	
\$250,001 to \$999,999	Recommend Approval or Rejection (by day 7)	Final Approval or Rejection (by day 14)	
\$1,000,000 or greater	Recommend Approval or Rejection (by day 7)	Copy	Final Approval or Rejection (by day 14)

**NOTE:** This time frame may be extended by mutual agreement between MDOT and the contractor, per the supplemental specification.

If you have questions concerning this information, please contact Eric Burns, Bridge Construction Engineer, C & T Division, at 517-322-6331.

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Chief Operations Officer

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Chief Engineer/Deputy Director  
Bureau of Highway Technical Services

BOHTS:C/T:EB:kab

Subject Index: Special Provisions

cc: C & T Division Staff  
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